CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
AUGUST 20, 2020

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Thursday, August 20, 2020 in the Police Department Training Room, 4545 Clyde Morris Boulevard, Port Orange, Florida.

MEMBERS PRESENT*:	Chairman Warren Carman (fifth member) William Proctor (police member) Drew Bastian (resident member) Brian Cobb (resident member) Andrew McKay (police member)
CONSULTANTS:	Ken Harrison, Board Attorney – *Sugarman & Susskind** Tyler Grumbles, Investment Consultant – *AndCo** Chad Little, Actuary – *Freiman Little Actuaries** Karan Rounsavall, Plan Administrator
CITY STAFF:	Matthew Jones, City Attorney

Chairman Carman called the meeting to order at 9:06 a.m. A quorum was in attendance. *These board consultants attended meeting via video conferencing. (Zoom hosted by City of Port Orange)

APPROVAL OF MINUTES

Member Bastian moved to approve minutes of quarterly meeting May 21, 2020 and special meeting June 17, 2020 as submitted. Member Proctor seconded the motion; it carried unanimously.

OFFICER AND TRUSTEE REPORTS - None

CONSENT AGENDA

The following items were presented for action as recommended:

A. Approve plan expenditures as follows:
   1. Sugarman & Susskind – monthly retainer for May 2020 - $2,600. *Recommendation:* Ratify payment.
   2. Sugarman & Susskind – monthly retainer for June 2020 - $2,600. *Recommendation:* Ratify payment.
   3. Sugarman & Susskind – monthly retainer for July 2020 - $2,600. *Recommendation:* Ratify payment.
   4. Sugarman & Susskind – reimbursement for medical records needed for disability hearing - $150. *Recommendation:* Ratify payment.
   5. Plan Administrator Karan Rounsavall – monthly fee (May 2020, June 2020, July 2020) - $9,000. *Recommendation:* Ratify payments.
   6. AndCo Consulting – investment consulting and performance monitoring services for quarter ending June 30, 2020 - $9,375. *Recommendation*: Ratify payment.
   7. First State Trust Company – custodial services for quarter ended June 30, 2020 - $4,625. *Recommendation*: Ratify payment.

8. United Members Insurance – renewal of fiduciary liability insurance policy through May 31, 2021 - $5,022. _Recommendation:_ Ratify payment.

Member Bastian moved to ratify plan expenses as recommended. Member Cobb seconded the motion which carried on an all-yes vote.

B. Acknowledge rollover of member contributions for Diego Munoz (non-vested member) in the amount of $9,018.50.

Note: Plan Administrator Rounsavall advised that Officer Munoz received and signed the *"special tax notice."*

Member Bastian moved to acknowledge rollover as stated. Member Proctor seconded the motion. It carried on unanimous vote.

OLD BUSINESS - None

NEW BUSINESS

A. Approval of administrative expense budget for Plan Year 2020/2021

The Pension Board was in receipt of the proposed budget for Plan Year 2020/2021 as prepared by the plan administrator. Pursuant to *Florida Statutes*, the Board was required to adopt and operate pursuant to an administrative expense budget each year. The budget included all administrative expenses (e.g. actuary, legal, investment consultant, custody, administration, insurance, etc.) but did not include investment management fees. The proposed budget for 2020/2021 was $194,250 which was slightly less than the adopted budget for 2019/2020 of $195,425.

Plan Administrator Rounsavall reviewed individual line items in the proposed budget. No fee increases were anticipated for any of the pension plan's professional service providers. Estimated expenditures for 2019/2020 were currently less than budgeted.

Member Bastian moved to approve the administrative expense budget for Fiscal Year 2020/2021 in the amount of $194,250 as presented. Member Proctor seconded the motion and it carried unanimously. The budget would be provided to city staff (plan sponsor) and posted on the bulletin board at the Police Department for plan members.

B. Acknowledge Division of Retirement's approval of 2019 annual report for Port Orange Police Pension Plan

Member McKay moved to acknowledge the Division of Retirement's June 1, 2020 notification of its approval of the 2019 annual report for the Port Orange Police Pension Plan. Member Bastian seconded the motion which carried on an all-yes vote.

C. Pending receipt of 2019 premium tax distribution from the State of Florida

Plan Administrator Rounsavall advised that premium tax revenues from the State of Florida in the amount of $498,649.69 were received on August 14, 2020. Immediately upon receipt, these monies were deposited into the Police Pension Fund (i.e. First State Trust).

Member Bastian moved to acknowledge receipt of the 2019 premium tax distribution. Member Cobb seconded the motion; it carried unanimously.

D. Proposed ordinance updating the Internal Revenue Code compliance section to recognize recent changes to the required minimum distribution age from 70½ to 72 (SECURE Act)

Board members were in receipt of a draft ordinance bringing the plan document into compliance with recent changes to the Internal Revenue Code pursuant to the SECURE Act (adopted by the U.S. Congress in December 2019). Specifically, the SECURE Act changed the mandatory age for required minimum distributions from 70½ to 72.

Member Cobb moved to approve the proposed ordinance as presented and direct the actuary to prepare the appropriate statement of no impact. Upon receipt of the impact statement, the plan administrator would forward the ordinance to city staff for consideration and adoption by the Port Orange City Council. Member McKay seconded the motion which carried on an all-yes vote.

E. Ratify disability retirement benefits for Jonathan Nolan commencing July 1, 2020

Officer Nolan selected the straight life annuity benefit option. *Member Bastian moved to ratify disability retirement benefits for Officer Nolan with an effective date of July 1, 2020. Member McKay seconded the motion; it carried unanimously.*

F. Ratify early retirement benefits for terminated vested member Willie Coco (100 percent joint and survivor option) commencing October 1, 2020

Member Bastian moved to ratify early retirement benefits for Willie Coco effective October 1, 2020. Member McKay seconded the motion and it carried on an all-yes vote.

CONSULTANT REPORTS

A. Tyler Grumbles – AndCo Consulting (Investment Consultant)

1. Investment Performance Report for quarter ended June 30, 2020

Mr. Grumbles presented the performance report and economic commentary for the quarter ended June 30, 2020. It was an excellent quarter. Financial markets rebounded sharply coming on the heels of one of the most challenging quarters of all time due to the Coronavirus pandemic. The S&P 500 was up over 20 percent for the quarter with small and mid-cap equities doing even better. Growth stocks continued to outperform value stocks. Fixed income performance was also strong, particularly for corporate bonds. It appeared that the economy was positioned for a "V" shaped recovery. All asset classes in the portfolio were within their respective target ranges. No rebalancing was needed.

Total market value as of June 30, 2020 was $42,386,109 up from $36,848,892 for the previous quarter ended March 31, 2020. On a percentage basis, the composite portfolio was up 14.74 percent for the quarter (net) which ranked in the 22nd percentile of public plans and nicely outperformed the fund's benchmark. Fiscal year to date, the fund was up 3.39 percent (ranking in the 42nd percentile of public plans).

Since the end of the quarter, markets had continued their upward trend. Portfolio value as of the previous day's close was $46.1 million. This represented an estimated seven percent gain for the current quarter and an estimated 11 percent return for Fiscal Year 2019/2020.

Quarterly performance results (i.e. quarter ending June 30, 2020) for the various investment styles/managers represented in the portfolio were as follows:

Vanguard Total Stock Market Index Fund – positive return of 22.10% (38)*
EuroPacific Growth (international equity) – positive return of 22.77% (23)*
Oakmark International (international equity) – positive return of 24.43% (16)*
Dodge & Cox (domestic fixed income) – positive return of 5.98% (20)*
Metropolitan West (domestic fixed income) – positive return of 4.07% (70)*
PIMCO Diversified Income (global fixed) – positive return of 7.19% (32)*
Pacific Funds Floating Rate (bank loans) – positive return of 6.84 (79)*
UBS Trumbull (private real estate) – negative return of -2.43% (83)*
ASB Allegiance (private real estate) – negative return of -0.54% (42)*
*Public peer rankings

Member Cobb moved to accept the performance report as presented. Member Bastian seconded the motion; it carried unanimously.

B. Chad Little – *Freiman Little Actuaries, LLC* (Plan Actuary)

Mr. Little mentioned some recent health issues he encountered and assured the board that there would not be a slow down in any work products.

He went on to address the pension board's assumed 7.25 percent rate of return. Given recent market volatility, new mortality tables, and long-term capital forecasts, he favored a continued reduction in the assumed rate of investment return. He recommended that the board defer any decision on this matter until its November meeting. Mr. Grumbles voiced his support for a seven percent assumed rate of return.

At the previous meeting, it was noted that Freiman Little Actuaries' (FLA) three-year fee guarantee expired in September 2020. Being aware of budgetary pressures facing municipalities, Mr. Little advised that FLA did not plan to increase its fees at the present time.

C. Ken Harrison – *Sugarman & Susskind* (Attorney)

Mr. Harrison advised that the Governor's latest executive order (No. 20-193) extended authority for public boards to continue with virtual meetings through October 1, 2020. Personally, he felt that local governments would have this authority through the end of the year given the pandemic.

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In late June, Attorney Harrison received correspondence from an attorney representing Disability Retiree Scott Warren. Mr. Warren retired in 2013 with 22 years of service. It was his attorney's contention that Mr. Warren was entitled to the percentage portion of the cost-of-living adjustment and medical supplement benefits that he had attained based upon his years of service prior to pension plan changes in 2011. His attorney claimed that Mr. Warren was entitled to these vested benefits which were accrued prior to the plan changes retroactive to his retirement date in 2013.

Attorney Harrison responded to Mr. Warren's legal counsel. Based on an understanding of the facts, provisions of the Port Orange Police Pension Plan at the time of Mr. Warren's retirement, and Florida case law, it was his opinion that Mr. Warren was not entitled to such an adjustment in benefits. (Reference Attorney Harrison's correspondence dated August 17, 2020) The City's pension attorney concurred.

Attorney Harrison would keep the board apprised of any future developments in this matter.

D. Karan Rounsavall – Plan Administrator

The Florida Public Pension Trustees Association (FPPTA) planned a virtual summit for early October *(Pivot 2020: Challenge and Change).* There would be a small registration fee. Further details were forthcoming.

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The next quarterly meeting was scheduled for Thursday, November 19, 2020.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 9:57 a.m.

Sgt. W Carman 1/3/21

Sgt. Warren Carman, Chairman

Karan Rounsavall

Karan Rounsavall, Plan Administrator